

Financial Report
Habitat for Humanity St. Tammany West
June 30, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 12 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Habitat for Humanity St. Tammany West,
Mandeville, Louisiana.

We have audited the accompanying statement of financial position of Habitat for Humanity St. Tammany West (a non-profit organization) ("HFHSTW") as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of HFHSTW's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2011 financial statements, and in our report dated December 28, 2011; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity St. Tammany West as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 14, 2012 on our consideration of the HFHSTW's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, Louisiana,
November 14, 2012.

STATEMENT OF FINANCIAL POSITION

Habitat for Humanity St. Tammany West Mandeville, Louisiana

June 30, 2012
(with comparative totals for 2011)

ASSETS

	2012	2011 (Restated)
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 550,754	\$ 277,994
Reserved - Escrow deposits	126,796	111,733
Mortgage notes receivable - current portion, net (Note 5)	540,967	302,987
Pledges and grants receivable - current portion (Note 6)	125,872	55,000
Accounts receivable	99,479	4,092
Inventory	89,651	60,109
Other assets	2,964	-
Construction in progress	328,680	457,306
Deposit on future land development	-	400,000
Total current assets	1,865,163	1,669,221
Property And Equipment (Note 2j)		
Building and improvements	1,639,722	1,639,722
Land	540,829	540,829
Vehicles	157,297	157,297
Office furniture and equipment	126,565	114,522
Less accumulated depreciation	(541,504)	(456,666)
Total property and equipment, net	1,922,909	1,995,704
Other Assets		
Long term portion of mortgage notes receivable, net of unamortized discounts (Note 5)	4,043,758	4,032,444
Investment in HFHI-SA Leverage I, LLC (Note 7)	3,120,240	3,052,827
Land held for future home sites	870,012	751,599
Loan obligation costs, net (Note 2l)	119,585	158,341
Prepaid loan costs	32,735	-
Long term portion of pledges and grants receivable (Note 6)	-	25,000
Total other assets	8,186,330	8,020,211
Total assets	\$ 11,974,402	\$ 11,685,136

See notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011 (Restated)</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 195,528	\$ 169,340
Term loan (Note 8)	417,773	461,619
Lines of credit (Note 9)	238,294	380,504
Current maturities of notes payable (Note 10)	168,364	84,454
Accrued remediation costs (Note 14)	50,000	50,000
Deferred revenue	31,857	75,000
Escrow deposits	126,796	111,733
	<u>1,228,612</u>	<u>1,332,650</u>
Total current liabilities		
	<u>1,228,612</u>	<u>1,332,650</u>
Long Term Liabilities		
Long term portion of notes payable (Note 10)	2,068,004	1,200,868
QLICI note payable (Note 7)	3,757,086	3,757,086
	<u>5,825,090</u>	<u>4,957,954</u>
Total long term liabilities		
	<u>5,825,090</u>	<u>4,957,954</u>
Total liabilities	<u>7,053,702</u>	<u>6,290,604</u>
	<u>7,053,702</u>	<u>6,290,604</u>
Net Assets		
Unrestricted	4,920,700	5,319,532
Temporarily Restricted (Note 11)	-	75,000
	<u>4,920,700</u>	<u>5,394,532</u>
Total net assets		
	<u>4,920,700</u>	<u>5,394,532</u>
Total liabilities and net assets	<u>\$ 11,974,402</u>	<u>\$ 11,685,136</u>

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**Habitat for Humanity St. Tammany West
Mandeville, Louisiana**For the year ended June 30, 2012
(with comparative totals for 2011)

	2012		2011
	Unrestricted	Temporarily Restricted	Totals (Restated)
Support and Revenue			
Sales of houses (Note 12)			
Sales revenue	\$ 1,403,173		\$ 1,403,173
Less: mortgage note receivable discount	(751,783)		(613,986)
Amortization of mortgage note receivable discount (Note 12)	276,546		257,914
ReStore revenues	746,979		710,682
Grants	699,991		261,376
Contributions	374,116		135,410
Event revenues			
Event income	104,298		148,022
Event expenses	(10,767)		(22,648)
HFHI-SA investment income (Note 7)	95,926		95,926
Contributions in-kind	172,158		67,888
Other revenue	119,646		26,698
Net assets released from restrictions	75,000	\$ (75,000)	-
Total support and revenue	3,305,283	(75,000)	3,230,283
Expenses			
Program services			
Housing	2,539,866		1,989,466
ReStore	548,902		469,482
Supporting services			
Management and general	428,988		267,296
Fundraising	186,359		142,491
Total expenses	3,704,115	-	2,868,735
Changes in net assets	(398,832)	(75,000)	(473,832)
Net assets			
Beginning of year	5,319,532	75,000	5,394,532
End of year	\$ 4,920,700	\$ -	\$ 4,920,700

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Habitat for Humanity St. Tammany West**
Mandeville, LouisianaFor the year ended June 30, 2012
(with comparative totals for 2011)

	Program Expenses		Supporting Services		Totals	
	Housing	ReStore	Management and General	Fund-Raising	2012	2011 (Restated)
Wages	\$ 543,824	\$ 233,896	\$ 223,088	\$ 128,699	\$ 1,129,507	\$ 829,931
Occupancy						
Interest	57,740	31,718	33,569	-	123,027	112,383
Utilities	11,416	30,902	4,084	1,918	48,320	59,430
Insurance	26,869	8,149	7,947	3,164	46,129	22,072
Repairs and maintenance	8,659	6,344	2,453	220	17,676	31,596
Total occupancy	104,684	77,113	48,053	5,302	235,152	225,481
Operating						
Direct construction costs - NMTC	118,391	-	-	-	118,391	640,228
Direct construction costs - other	1,476,938	-	-	-	1,476,938	610,591
Cost of goods sold	-	57,203	-	-	57,203	42,602
Supplies and general	13,159	9,331	8,339	1,681	32,510	26,029
Vehicle fuel, insurance and maintenance	15,305	7,552	1,733	1,540	26,130	45,510
Other operating costs	74,357	50,159	23,821	21,221	169,558	121,300
Total operating	1,698,150	124,245	33,893	24,442	1,880,730	1,486,260
Administrative						
Payroll taxes and benefits	104,565	48,855	26,441	24,541	204,402	153,039
Professional fees	75,282	4,668	87,018	2,518	169,486	35,182
Loss due to theft	-	-	-	-	-	35,570
Total administrative	179,847	53,523	113,459	27,059	373,888	223,791
Depreciation	13,361	60,125	10,495	857	84,838	103,272
Total functional expenses	\$ 2,539,866	\$ 548,902	\$ 428,988	\$ 186,359	\$ 3,704,115	\$ 2,868,735

See notes to financial statements.

STATEMENT OF CASH FLOWS**Habitat for Humanity St. Tammany West
Mandeville, Louisiana**For the year ended June 30, 2012
(with comparative totals for 2011)

	<u>2012</u>	<u>2011 (Restated)</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (473,832)	\$ (699,804)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	84,838	103,272
Loss on disposals of property and equipment	-	2,251
Income from HFHI-SA Leverage I, LLC	(95,926)	(95,926)
Amortization of loan obligation costs	38,756	39,196
Donations of land held for future home sites	(58,006)	(17,500)
Decrease (increase) in assets:		
Mortgage notes receivable	(249,294)	10,442
Pledges and grants receivable	(45,872)	95,751
Inventory	(29,542)	23,464
Accounts receivable	(95,387)	(4,435)
Other assets	(2,964)	-
Construction in progress	128,626	62,286
Deposit on future land developments	400,000	-
Prepaid loan costs	(32,735)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	26,188	45,417
Deferred revenue	(43,143)	75,000
Accrued remediation costs	-	50,000
Escrow deposits	15,063	111,733
Net cash used in operating activities	<u>(433,230)</u>	<u>(198,853)</u>
Cash Flows From Investing Activities		
Distribution from HFHI-SA Leverage I, LLC	28,513	28,513
Purchases of property and equipment	(12,043)	(7,115)
Proceeds from sale of land held for future home sites	193,758	79,727
Purchases of land held for future home sites	<u>(254,165)</u>	<u>(26,582)</u>
Net cash provided by (used in) investing activities	<u>(43,937)</u>	<u>74,543</u>

Exhibit D
(Continued)

	<u>2012</u>	<u>2011</u>
Cash Flows From Financing Activities		
Proceeds from lines of credit	588,292	150,000
Proceeds from notes payables	1,047,925	-
Repayments of lines of credit	(730,502)	-
Repayments of term loan	(43,846)	(38,381)
Principal payments on notes payable	<u>(96,879)</u>	<u>(75,509)</u>
Net cash provided by financing activities	<u>764,990</u>	<u>36,110</u>
Net Increase (Decrease) In Cash and Cash Equivalents	287,823	(88,200)
Cash and Cash Equivalents		
Beginning of year	<u>389,727</u>	<u>477,927</u>
End of year	<u>\$ 677,550</u>	<u>\$ 389,727</u>
Supplemental Disclosures		
Interest paid	<u>\$ 123,027</u>	<u>\$ 112,383</u>
Reclassification from land held for future home sites to property and equipment	<u>\$ -</u>	<u>\$ 33,594</u>
Reclassification of certificate of deposit and other assets to cash and cash equivalents	<u>\$ -</u>	<u>\$ 39,628</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Habitat for Humanity St. Tammany West
Mandeville, Louisiana**

June 30, 2012

Note 1 - NATURE OF ACTIVITIES

Habitat for Humanity St. Tammany West ("HFHSTW") was founded in 1981 as the tenth affiliate of Habitat for Humanity International and first in the State of Louisiana. HFHSTW's vision is a world where everyone has a decent place to live and its mission is implemented by bringing people together to build homes, communities, and hope. HFHSTW identifies and acquires building sites and builds housing for workforce and low-income family partners. These homes, located in the western half of St. Tammany Parish, are sold to qualified family partners who have contributed 300-400 hours of sweat equity and signed non-interest bearing mortgage notes. HFHSTW relies heavily on volunteer efforts, donations from individuals, churches and companies, Habitat's Fund for Humanity, government and private grants, and various other financing vehicles to fund the construction projects.

Habitat's Fund for Humanity consists of non-interest bearing mortgage receivable payments from existing homeowners (see Note 5). In effect, homeowners, when making monthly mortgage payments for their homes, are supporting the construction financing for future homeowners.

HFHSTW also operates a 20,000 square foot ReStore facility from which it primarily sells donated building materials and home furnishings to middle and low income customers. The net proceeds from ReStore operations are used to fund the acquisition of some of the building sites and construction of some of the homes referred to in the previous paragraphs.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

HFHSTW is a nonprofit organization organized under the laws of the State of Louisiana and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"), and qualifies as an organization that is not private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 47.121(5).

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Organization and Income Taxes (Continued)

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2012, management believes HFHSTW has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. HFHSTW recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended June 30, 2009 and later remain subject to examination by the taxing authorities.

b. Basis of Accounting

The financial statements of HFHSTW are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that impact certain reported amounts and disclosures. Actual results could differ from those estimates.

d. Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HFHSTW and changes thereto are classified and reported as:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of HFHSTW and/or the passage of time.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Presentation (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by HFHSTW. Generally, the donors of such assets permit the donor to use all or part of the income earned from these assets for general or specific purposes. As of June 30, 2012 and 2011, HFHSTW had no permanently restricted net assets.

e. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, HFHSTW considers all short-term highly liquid investments with an original maturity of one year or less from the date of acquisition to be cash equivalents.

f. Reserved Cash

HFHSTW services the mortgages on the homes it sells. Included in cash and cash equivalents are amounts received from homeowners for insurance and property taxes and for mortgage payments received prior to closing. Reserved cash for escrow deposits as of June 30, 2012 and 2011 was \$126,796 and \$111,733, respectively.

g. Mortgage notes receivable

Mortgage notes receivable consist of non-interest bearing mortgage notes which are collateralized by real estate in the St. Tammany West area and payable in monthly installments over the life of the mortgage loans. The mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present value based on an imputed amount of interest. The discounts are amortized over the lives of the mortgage loans. The imputed interest rates are set by Habitat International. The rates are based on a twelve month average rate published by the Internal Revenue Service plus a risk factor of 3%. Mortgage notes receivable are considered past due if payments are more than thirty days late. Management believes that the values of such collateral are in excess of the mortgage notes receivable as of June 30, 2012 and 2011 and therefore no allowance for losses has been provided.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Pledges Receivable

Contributions are recognized when the donor makes a pledge to HFHSTW that is, in substance, unconditional. Conditional pledges are recognized when the conditions on which the pledge are substantially met. Pledges receivable are recognized as assets, net of an allowance for uncollectible amounts. HFHSTW provides for estimated uncollectible pledge receivables based on prior years' experience and management's analysis of specific pledges made. As of June 30, 2012 and 2011, management determined an allowance for uncollectable amounts was not considered necessary.

i. Inventory

Inventory represents building materials and goods to be sold in the ReStore operations. Gift-in-kind inventory is recorded at the fair value on the date of receipt, and such items are expensed as program services expense when used based on the specific identification method. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. As of June 30, 2012 and 2011, inventory totaled \$89,651 and \$60,109, respectively.

j. Property and Equipment

Property and equipment consists of land, buildings and improvements, office furniture and equipment, and is stated at cost or fair market value at date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Buildings are depreciated over 30 years. Other depreciable property and equipment is depreciated over 5 to 12 years. HFHSTW has established a policy capitalizing all expenditures for property and equipment in excess of \$3,000 with a useful life of 5 or more years. For the years ended June 30, 2012 and 2011, depreciation expense totaled \$84,838 and \$103,272, respectively.

k. Construction in progress

Construction in progress represents all direct material, labor, land, and infrastructure costs incurred to construct family housing. Revenue is recognized under the full accrual method when a sale is consummated and the homeowner is obligated under a mortgage.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Construction in progress (Continued)

As of June 30, 2012 and 2011, construction in progress included:

	<u>2012</u>	<u>2011</u>
New homes under construction	\$ 47,278	\$ 278,518
Reposessed homes	<u>281,402</u>	<u>178,788</u>
Total construction in progress	<u>\$ 328,680</u>	<u>\$ 457,306</u>

l. Loan Obligation Costs

Certain costs related to the New Markets Tax Credit Financing (see Note 7) have been capitalized and are being amortized over the estimated life of the related notes payable. Financing and loan acquisition costs totaled \$233,752 for both years ended June 30, 2012 and 2011. Accumulated amortization totaled \$114,167 and \$75,411 as of June 30, 2012 and 2011, respectively.

m. Compensated Absences

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2012 and 2011 totaled \$64,526 and \$30,256, respectively, which is included in accounts payable and accrued expenses on the Statement of Financial Position.

n. Contributions and Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions were made. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Contributions and Revenue Recognition (Continued)

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Contributions of non-cash assets such as materials and equipment used in construction of homes are recorded as deferred revenue at their fair or estimated values in the period received. When the non-cash asset is utilized in the construction of homes it is then recorded as revenue. The balance of non-cash assets recorded as deferred revenue and held for construction as of June 30, 2012 totaled \$27,657. There were no non-cash assets recorded as deferred revenue and held for construction as of June 30, 2011.

o. Donated Services of Volunteers

A substantial number of volunteers have given extensive amounts of time and services to HFHSTW. However, no amounts are reflected in the financial statements for such services as management feels that the requirements for recording in-kind services have not been satisfied. Other contributed services that require specialized skills provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation are recognized as revenue and expense and totaled \$69,599 for the year ended June 30, 2012. There were no such amounts for the year ended June 30, 2011.

p. Sales Tax

The State of Louisiana and St. Tammany Parish imposes a sales tax of 8.75% on all of HFHSTW sales to non exempt customers. HFHSTW collects that sales tax from customers and remits the entire amount to the State. For the years ended June 30, 2012 and 2011, HFHSTW paid state sales taxes totaling \$87,772 and \$52,710, respectively.

q. Advertising Expense

HFHSTW uses advertising to promote ReStore operations and fundraising activities. The production costs of advertising are expensed as incurred. For the years ended June 30, 2012 and 2011, advertising costs totaled \$15,924 and \$17,159, respectively.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Allocated Expenses

Expenses are summarized on a functional basis. Salaries and related payroll expenses are distributed based upon the time spent for each function. Allocation of all other shared expenses is based upon management's estimates of the usage applicable to conducting various program or support activities.

s. Subsequent events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 14, 2012.

Note 3 - RESTATEMENT

During the year ended June 30, 2012, management determined that there were required corrections to several account balances. The following tables present the restatements:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets as of June 30, 2010 (as previously reported)	\$ 6,971,407	\$ 115,000	\$ 7,086,407
Reversal of QLICI note payable discounting to present value	(459,201)		(459,201)
Correction of an error in accounting related to the unamortized mortgage discount, associated mortgage note receivable discount, and amortization of mortgage note receivable and discount	<u>(532,870)</u>		<u>(532,870)</u>
Net assets as of June 30, 2010 (as restated)	<u>\$ 5,979,336</u>	<u>\$ 115,000</u>	<u>\$ 6,094,336</u>

Note 3 - RESTATEMENT (Continued)

	<u>As Previously Reported</u>	<u>Corrections</u>	<u>As Restated</u>
Long term portion of mortgage notes receivable, net of unamortized discounts as of June 30, 2011	<u>\$ 4,489,806</u>	<u>\$ (457,362)</u>	<u>\$ 4,032,444</u>
QLICI note payable as of June 30, 2011	<u>\$ 3,389,725</u>	<u>\$ 367,361</u>	<u>\$ 3,757,086</u>
Mortgage note receivable discount as of June 30, 2011	<u>\$ (672,018)</u>	<u>\$ 58,032</u>	<u>\$ (613,986)</u>
Amortization of mortgage note receivable discount for the year ended June 30, 2011	<u>\$ 240,438</u>	<u>\$ 17,476</u>	<u>\$ 257,914</u>
Amortization of discount on QLICI note payable recorded as interest for the year ended June 30, 2011	<u>\$ 204,223</u>	<u>\$ (91,840)</u>	<u>\$ 112,383</u>

Note 4 - CONCENTRATION OF CREDIT RISK

HFHSTW builds and rehabilitates homes in the St. Tammany West area. As a result, all of the mortgage receivables from homeowners are concentrated as to geographic risk. Also, all homes built are transferred to low-income families, which can represent a credit risk.

HFHSTW maintains cash balances at several local financial institutions where the funds are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2012 and 2011, HFHSTW had no cash deposits in excess of the insured limits.

Note 5 - MORTGAGE NOTES RECEIVABLE

HFHSTW sells its completed homes to family partners in exchange for a mortgage note (see Note 12) secured by the residence with typical repayment terms over 15 to 35 years and bearing 0% interest. As of June 30, 2012, HFHSTW held 203 non-interest bearing loans, 112 of which (\$6,299,290 gross carrying value) are pledged to secure certain notes payable. As of June 30, 2011, HFHSTW held 190 non-interest bearing loans, 67 of which (\$3,723,705 gross carrying value) were pledged to secure certain notes payable (see Note 10).

As of June 30, 2012 and 2011, a summary of the mortgage notes receivable was:

	2012	2011 (Restated)
Mortgage notes receivable	\$ 10,118,443	\$ 9,393,912
Unamortized discount	(5,533,718)	(5,058,481)
Net	<u>\$ 4,584,725</u>	<u>\$ 4,335,431</u>
Current	\$ 540,967	\$ 302,987
Long-term	4,043,758	4,032,444
	<u>\$ 4,584,725</u>	<u>\$ 4,335,431</u>

As of June 30, 2012, contractual maturities of mortgage receivables were as follows:

2013	\$ 540,967
2014	540,967
2015	540,967
2016	540,967
2017	539,873
Thereafter	<u>7,414,702</u>
	<u>\$ 10,118,443</u>

Note 6 - PLEDGES RECEIVABLE

HFHSTW purchased a piece of land from an unrelated foundation during the year ended June 30, 2009. The purchase agreement included a \$25,000 annual donation to HFHSTW for five years, beginning July 2009 and each July thereafter until fulfilled. As of June 30, 2012 and 2011, \$25,000 and \$50,000, respectively, was considered current in pledges and grants receivable on the Statement of Financial Position. As of June 30, 2011, \$25,000 was reported as a long-term pledge receivable. Management believes all balances to be collectible.

Note 7 - NEW MARKETS TAX CREDIT

On July 1, 2008, HFHSTW invested, along with four other Habitat for Humanity affiliates, in a joint venture, HFHI-SA Leverage I, LLC (the "LLC"), to take advantage of New Market Tax Credit ("NMTC") financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors who, in exchange, will receive new market tax credits to be applied against their federal tax liability. HFHSTWs total investment in the LLC as of June 30, 2012 and 2011 totaled \$3,120,240 and \$3,052,827. Interest income earned on the investment in the LLC totaled \$95,926 for each of the years ended June 30, 2012 and 2011. HFHSTW secured a 15 year loan in the amount of \$3,757,086 payable to a community development entity ("QLICI note payable"). The loan proceeds have been and will continue to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan accrues interest only for years 1 through 7 at the rate of 0.759% per annum. Beginning in Year 8 through year 15, the principal balance of the loan is to be reduced by an eight-year amortization at the same interest rate of 0.759%. Interest expense on this note totaled \$28,516 for both years ended June 30, 2012 and 2011. The balance of the note payable as of June 30, 2012 and 2011 was \$3,757,086 on both dates.

Included in the Statement of Financial Position as of June 30, 2012 and 2011 is \$119,585 and \$158,341 respectively, in unamortized closing costs net of amortization, relating to the NMTC Program. These costs are being amortized over seven years on a straight line basis.

Note 8 - TERM LOAN

HFHSTW transferred \$500,000 of its then existing line of credit to an annually renewable promissory note at a financial institution bearing interest at 3.75% with a 10 year amortization. As of June 30, 2012 and 2011, the promissory note had an outstanding balance of \$417,773 and \$461,619, respectively. As of June 30, 2012, the note has a due date of February 28, 2013. The note is collateralized with certain assets of HFHSTW. For the years ended June 30, 2012 and 2011, interest expense on the term loan totaled \$16,850 and \$18,030, respectively.

Note 9 - LINES OF CREDIT

HFHSTW has a line of credit at a financial institution with an interest rate of 2.1%, with a maturity date of February 28, 2013. Borrowings under the line are collateralized by certain assets of HFHSTW. The maximum borrowing limit is \$500,000. As of June 30, 2012 and 2011, HFHSTW had outstanding balances of \$225,000 and \$380,504, respectively. For the years ended June 30, 2012 and 2011, interest expense on the line of credit totaled \$5,053 and \$6,548, respectively.

Note 9 - LINE OF CREDIT (Continued)

In June 2012, HFHSTW obtained a line of credit, used solely for constructing homes in the Groves at Mile Branch Creek subdivision. The maximum borrowing limit of this loan is \$400,000, subject to a credit limit of \$50,000 per house. The interest rate is 3.5%. All outstanding principal plus accrued interest must be paid on June 8, 2013. Borrowings under the line are collateralized by certain assets of HFHSTW. As of June 30, 2012, the outstanding balance was \$13,294. Total interest expense on the line of credit was \$10 for the year ended June 30, 2012.

Note 10 - NOTES PAYABLE

As of June 30, 2012 and 2011, HFHSTW had the following notes payable:

	<u>2012</u>	<u>2011</u>
Note payable to Whitney Bank. The note is due in thirty-six interest only installments beginning in July 2005 and three hundred and twenty-two monthly installments of principal and interest of \$3,998 and a final payment due May 28, 2035. The note bears interest at 4.62% and is secured by ReStore land and buildings.	\$ 675,249	\$ 691,509
Note payable to Habitat for Humanity International. The note is due in forty quarterly installments of principal and interest of \$16,394 beginning June 30, 2012, with the final payment due June 30, 2022. The note bears interest at 4.75% and is secured by mortgages and notes receivable.	519,600	-
Note payable to Habitat for Humanity International. The note is due in forty quarterly installments of principal and interest of \$16,341 beginning December 31, 2011, with the final payment due December 31, 2021. The note bears interest at 5.50% and is secured by mortgages and notes receivable.	481,143	-

Note 10 - NOTES PAYABLE (Continued)

	<u>2012</u>	<u>2011</u>
Note payable to an individual. The note is due in forty equal quarterly installments of principal and interest of \$7,183 beginning December 2009, with the final payment due December 1, 2019. The note bears interest at 5.00% and is secured by mortgages and notes receivable.	173,812	193,240
Note payable to an individual. The note is due in forty equal quarterly payments of principal and interest of \$6,384 with the final payment due January 31, 2020. The note bears interest at 5.00% and is secured by mortgages and notes receivable.	163,242	180,087
Note payable to an individual. The note is due beginning with one initial quarterly principal and interest payment of \$5,802 in January 2010, and thirty-nine equal quarterly principal and interest payments of \$5,586 with the final payment due October 1, 2019. The note bears interest at 5.00% and is secured by mortgages and notes receivable.	139,036	153,960
Note payable to Habitat for Humanity International. The note is due in forty-eight monthly installments of principal of \$1,302 beginning June 2011, with the final payment due July 1, 2015. The note does not bear interest and is unsecured.	54,427	62,239

Note 10 - NOTES PAYABLE

As of June 30, 2012 and 2011, HFHSTW had the following notes payable:

	<u>2012</u>	<u>2011</u>
Note payable to Habitat for Humanity International. The note is due in forty-seven monthly installments of principal of \$585 beginning July 2013 with the final payment due June 2017. The note does not bear interest and is unsecured.	28,125	-
Note payable to JPMorgan Chase Bank, NA. The note is due in sixty equal monthly installments of principal of \$193, beginning in April 2008 with the final payment due March 15, 2013. The note does not bear interest and is unsecured.	1,734	4,047
Note payable to Toyota. The note does not bear interest and is secured by equipment.	-	240
	<u>2,236,368</u>	<u>1,285,322</u>
Less current portion	<u>(168,364)</u>	<u>(84,454)</u>
Long Term	<u>\$ 2,068,004</u>	<u>\$ 1,200,868</u>

Principal payments are due in the following amounts for the year ending June 30, 2012:

2013	\$ 168,364
2014	181,382
2015	189,512
2016	189,991
2017	191,468
Thereafter	<u>1,315,651</u>
	<u>\$ 2,236,368</u>

Total interest expense for the above notes payable totaled \$72,597 and \$60,839 for the years ended June 30, 2012 and 2011, respectively.

Note 11 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2011, HFHSTW had temporarily restricted net assets of \$75,000, consisting of amounts restricted for a specific purpose. There are no restrictions as of June 30, 2012.

Note 12 - SALES OF HOUSES

HFHSTW charges no interest on the mortgages receivable from its partner families. The mortgages are recorded net of a discount to present value, considering both the time value of money and the historic credit risk associated with HFHSTW's homeowners. The result is a significant non-cash reduction of revenue. The discount is then amortized as interest income over the life of the mortgage as principal payments are collected. For the years ended June 30, 2012 and 2011, the following amounts are included in the financial statements:

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
Sales of houses		
Sales income	\$ 1,403,173	\$ 1,101,649
Mortgage discount expense	<u>(751,783)</u>	<u>(613,986)</u>
Sale of house, net of discount expense	<u>\$ 651,390</u>	<u>\$ 487,663</u>
Amortization income on mortgage notes receivable discount	<u>\$ 276,546</u>	<u>\$ 257,914</u>

Note 13 - RETIREMENT PLAN

HFHSTW adopted a defined contribution plan, which allows eligible participating employees to contribute by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Plan allows HFHSTW to contribute a discretionary amount on a uniform basis to all participants. HFHSTW's contribution to the Plan totaled \$16,154 and \$14,107 for the years ended June 30, 2012 and 2011, respectively.

Note 14 - CONTINGENCY

HFHSTW has identified twenty-four modular homes constructed in a prior year that have manifested symptoms and resulted in property damage. HFHSTW has entered into an agreement to remediate the damages to the homes. Management estimates an amount of \$50,000 will be required to pay for the cost of the renovations and, therefore, recorded an expense and liability in that amount for the year ended June 30, 2012.

Note 14 - CONTINGENCY (Continued)

As of June 30, 2012, HFHSTW had identified one home constructed in a prior year that has manifested symptoms and resulted in property damage which may indicate the presence of substandard drywall materials. Results of testing were not yet complete as of November 14, 2012, and as such, HFHSTW could not estimate any cost required to correct the damage.

Note 15 - SUBSEQUENT EVENTS

On September 13, 2012, HFHSTW entered into a non-binding Letter of Intent to lease a 25,000 square foot, highly-visible retail space (the "Property") for its ReStore operations. Management expects to sign a long-term lease for the Property prior to December 31, 2012. Moving and other start-up costs for the first year in the new location are estimated to be \$200,000. An additional \$200,000 is estimated to be needed to refurbish and repurpose the ReStore's existing facility to accommodate Affiliate offices, a climate controlled pre-construction facility, and an overflow warehouse space. Management anticipates funding these expenditures with a special fundraising campaign and the sale of certain non-income producing assets.

As of June 30, 2011, HFHSTW had identified one home constructed in a prior year that had manifested symptoms and resulted in property damage which indicates the presence of substandard drywall materials. HFHSTW entered into an agreement to remediate the damage to the house and incur the homeowner's residential living expenses during the remediation period. Management estimated an amount of \$50,000 would be requested to pay for the cost of the renovation and living expenses and, therefore, recorded an expense and liability in that amount during the current year. The actual cost totaled \$74,450. Management pursued claims against the responsible parties and its insurance carrier. On October 23, 2012, HFHSTW received \$55,623 in settlement of the claim. This amount is recorded in Accounts Receivable and Other Revenue as of June 30, 2012.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Habitat for Humanity St. Tammany West,
Mandeville, Louisiana.

We have audited the financial statements of Habitat for Humanity St. Tammany West (the "HFHSTW"), as of June 30, 2012 and the year then ended, and have issued our report thereon, dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of HFHSTW is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the HFHSTW's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HFHSTW's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HFHSTW's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of HFHSTW's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses, which we consider to be a significant deficiency in internal control over financial reporting as described in 12-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HFHSTW's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

HFHSTW's response to the finding identified in our audit is described in the accompanying schedule of Findings and Responses. We did not audit HFHSTW's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
November 14, 2012.

SCHEDULE OF FINDINGS AND RESPONSES

Habitat for Humanity St. Tammany West

Mandeville, Louisiana

For the year ended June 30, 2012

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ none reported
- Significant deficiency(ies) identified that are not considered to be material weakness? ☒ yes ☐ none reported

Noncompliance material to consolidated financial statements noted? ☐ yes ☒ no

b) Federal Awards

HFHSTW did not expend more than \$500,000 in federal awards during the year ended June 30, 2012, and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

12-01 Dual Signatures Over Check Signing

Criteria - Accounting functions require two authorized signatures for items in excess of \$25,000.

Condition - Only one signature was noted on a check in excess of \$25,000.

Context - Isolated.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

12-01 Dual Signatures Over Check Signing (Continued)

Effect - Additional risk is incurred with only one authorized signature on large disbursements.

Cause - Overlooked by the appropriate check signing parties.

Recommendation - HFHSTW should have two persons review signed checks in order to verify that all checks that are required to have dual signatures are appropriately signed.

Views of Responsible Officials of the Auditee - When There is a Disagreement With the Finding, to the Extent Practical - None.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit for the year ended June 30, 2012.

Section III - Federal Award Findings and Questioned Costs

Internal Control/Compliance

HFHSTW did not expend more than \$500,000 in Federal awards during the year ended June 30, 2012 and, therefore, was exempt from the audit requirements Under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

REPORTS BY MANAGEMENT

MANAGEMENT'S CORRECTIVE ACTION PLAN

Habitat for Humanity St. Tammany West

Mandeville, Louisiana

For the year ended June 30, 2012

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

12-01 Dual Signatures Over Check Signing

Recommendation - HFHSTW should have two persons review signed checks in order to verify that all checks that are required to have dual signatures are appropriately signed.

Management's Corrective Action - Appropriate internal controls will be implemented and monitored.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit for the year ended June 30, 2012.

Section II - Internal Control and Compliance Material to Federal Awards

HFHSTW did not expend more than \$500,000 in Federal awards during the year ended June 30, 2012 and, therefore, was exempt from the audit requirements Under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2012.